

The Future of Retirement

Why family matters



USA Fact Sheet

HSBC 



Introduction

HSBC's The Future of Retirement programme is a leading independent study into global retirement trends. It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world.

The global report *Why family matters*, which accompanies this fact sheet, is a supplementary report to the main 2011 report *The power of planning*, the sixth in The Future of Retirement series, and is based on a survey of more than 17,000 people in 17 countries in December 2010.

This country fact sheet, based on the views of 1,187 respondents in the US, explores how factors relating to family life influence attitudes to retirement, including:

- marital status, gender and generation
- the varying degrees of financial responsibility between the sexes
- how households undertake financial planning and where gaps in plans might arise
- attitudes to risk and what families can do to better prepare themselves

The *Why family matters* global report and all previous reports are available at www.hsbc.com/retirement/future-of-retirement.

Key findings

- Having children actually adds to people's feelings of retirement security and well-being. People with children in the US are less likely to see retirement as an age of loneliness, although only 3% of American respondents want to live with their children in later life
- Retirement planning in American couples is more likely to be fully undertaken by men: 39% of men claim to exercise sole household responsibility for managing retirement savings, compared to only 27% of women
- In the US as in most countries surveyed, women focus on shorter-term financial goals: almost half of women (46%) exercise sole responsibility for managing the household budget – the only area of household finances in which women are more proactive than men
- American women are also far more risk averse, with 48% claiming to have a conservative risk appetite, compared to just 38% of men
- US household financial plans contain serious gaps: over one-fifth (23%) of those in their fifties are not saving for retirement, while 36% of parents have no life insurance

Part 1: How family life influences attitudes to retirement – a time of happiness or loneliness

71% of American respondents feel that having a loving family and friends is extremely important to enjoying a happy retirement, and this is particularly important to women (68% compared to 52% of men). Americans are also keen to live near (but not with) their children in retirement, with 78% seeing this as very or somewhat important.

- People with children are more likely to believe retirement will be a time of happiness (51%)
- American parents are also generally less likely to see retirement as a time of financial hardship (29%) compared to those without children (38%). However, among those parents who are

concerned about coping financially in retirement, around one-third are concerned about having to support grown up children in higher education

- Fathers are more concerned about the issue of leaving a financial legacy and have a greater aspiration to pass on wealth to their children, while mothers are more interested in living near their children (Table 1)

Table 1: Women with children have different aspirations for retirement and passing on wealth

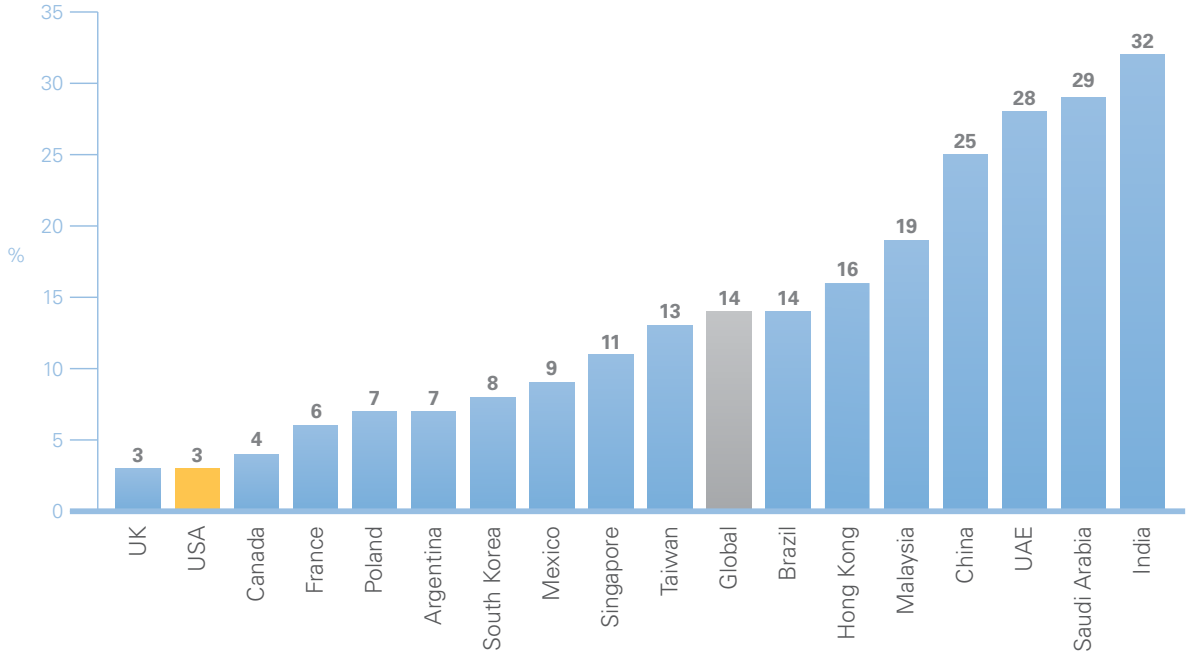
Q. People have different personal priorities in life. How important are the following to you today?

	Married men with children %	Co-habiting men with children %	Married women with children %	Co-habiting women with children %	All married with children %	All co-habiting with children %
Living near my children or grandchildren	48	40	75	65	67	61
Passing on wealth to my children when I die	56	60	48	65	51	65

Base: Respondents who claimed 'Very important to me'

Figure 1: Living arrangements in retirement

Q. What do you hope will happen to your living arrangements when you retire?



Base: Respondents who answered 'I want to live with my children or other family members'.

Respondents in the US rank as the joint most likely to see themselves as living independently in their own homes when they retire, with only 3% of respondents

stating that they would like to live with their children in later life. (Figure 1)

Part 2: Financial responsibility between the sexes – gender differences in how households plan their finances

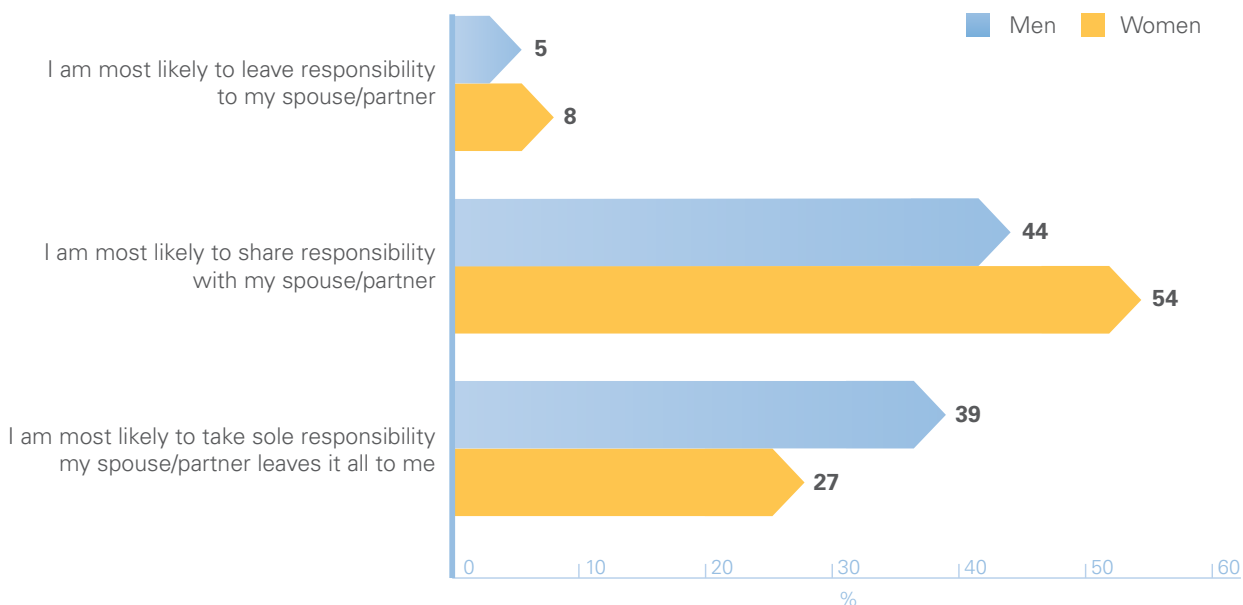
Our global findings suggest a distinct gender divide on how households plan their finances and the picture is similar in the US. Whilst women are more likely to say that financial decisions are shared with their partner, men are more likely to state that they make all or most financial decisions themselves. Men claim to exercise greater sole responsibility than women in nearly all financial decisions made in the home.

As is the case in most countries surveyed, there

is a also clear gender divide when looking at the types of decisions men and women take responsibility for: American men are more proactive when it comes to retirement planning (Figure 2), whereas American women are more likely to take the lead in household budgeting (figure 3). Crucially, this means that women are much more focused on short-term financial matters and are more likely to be overlooking the importance of planning for retirement in their own right.

Figure 2: Men take responsibility for retirement planning

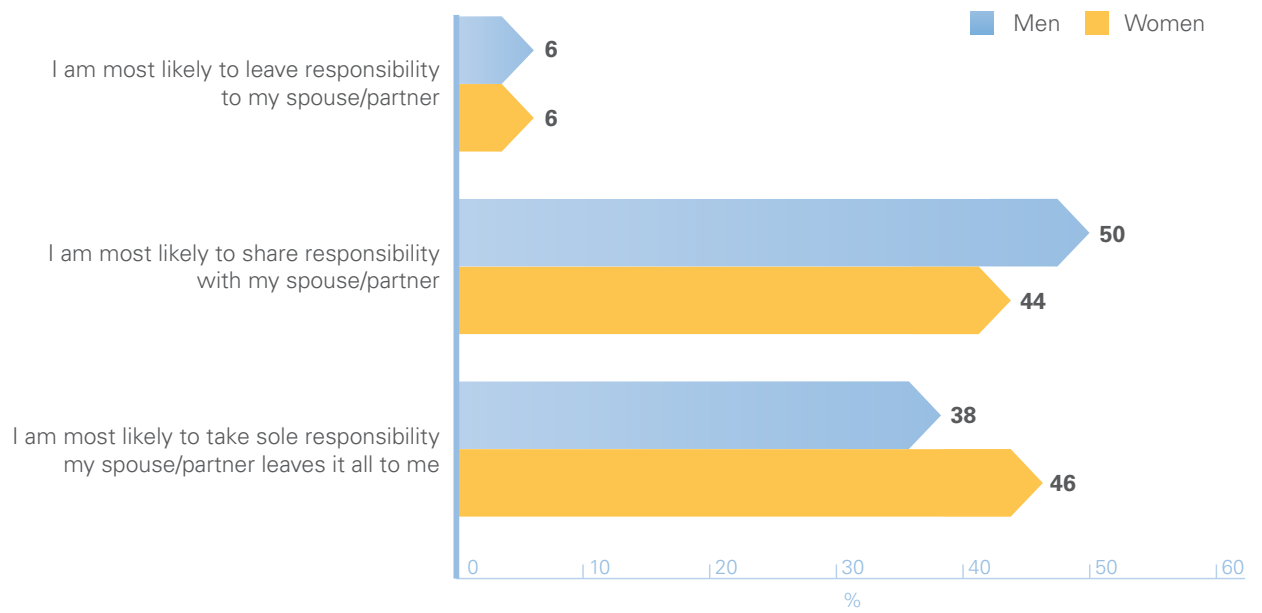
Q. Who in your household is most likely to take responsibility for making decisions about saving for retirement?



Base: All respondents who are married or cohabiting

Figure 3: Women take charge of household budgeting

Q. Who in your household is most likely to take responsibility for making decisions about managing the household budget?



Base: All respondents who are married or cohabiting



Part 3: Household financial planning – where are the gaps in the family’s financial safety net?

Figure 4 illustrates how individuals accumulate wealth during the course of their adult lives. Upon entering work in early adult years we will find that both our incomes and wealth continue to grow well into our 50s and possibly beyond depending on when we enter retirement at which point we start to draw down our savings and investments. Across different societies

and in different households this curve will look different depending on a range of factors – patterns in work and home ownership, family life, retirement trends and life expectancy. Protecting household assets across this accumulation curve is critical to ensure that our retirement assets are not used up before retirement.

Figure 4: **The gaps in US households’ financial plans**

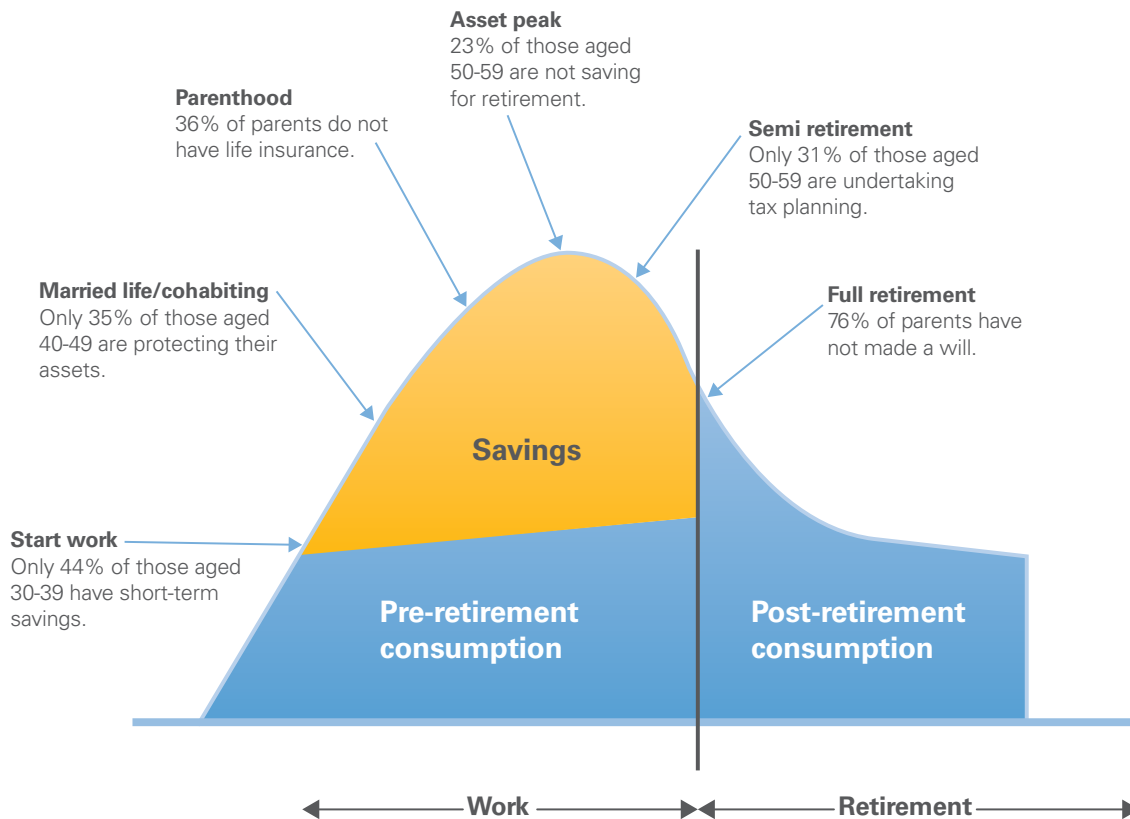


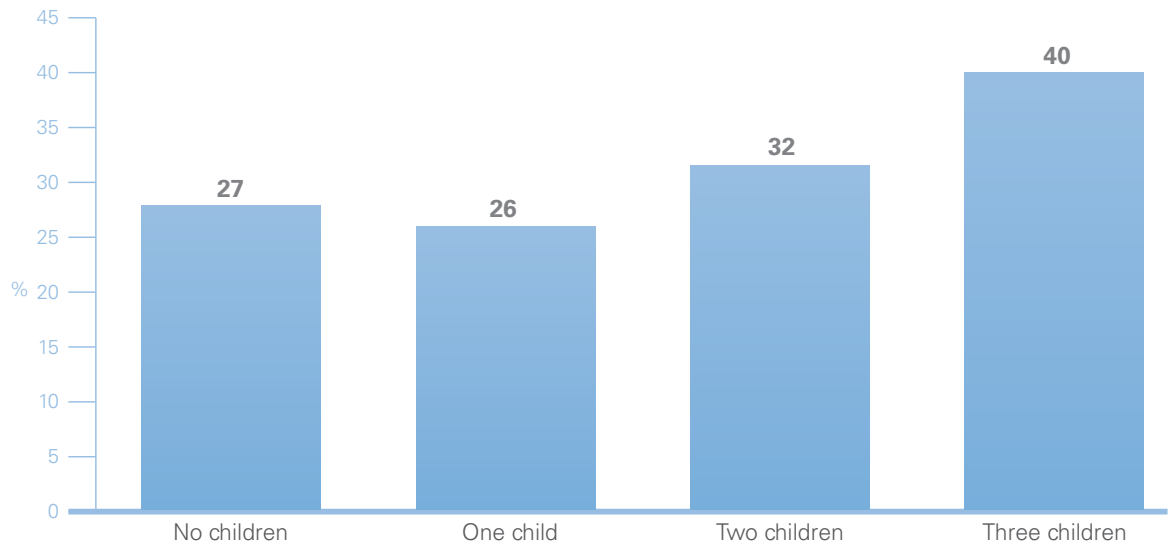
Figure 4 shows some of the key responses from the 36% of American respondents surveyed with a financial plan in place. Even though these households are planning ahead, there are still significant gaps in terms of the planning people are undertaking compared to their present needs. For example, 23% of American respondents in their fifties are not saving for retirement. Despite the fact that life insurance is widely available and all working parents have a need for this kind of

protection, 36% of American people with children do not have a life insurance policy in their financial plans. Our survey found that larger families with more children are more likely to understand the risks of not having life insurance when compared with the overall global average: as Figure 5 shows, 26% of families with only one child in the US consider this extremely risky compared to 40% of those with three children.

Figure 5: The risk of not having life insurance

Q. How risky do you rate the following activities?

A. Not having life insurance



Base: Respondents who answered 'Extremely risky'

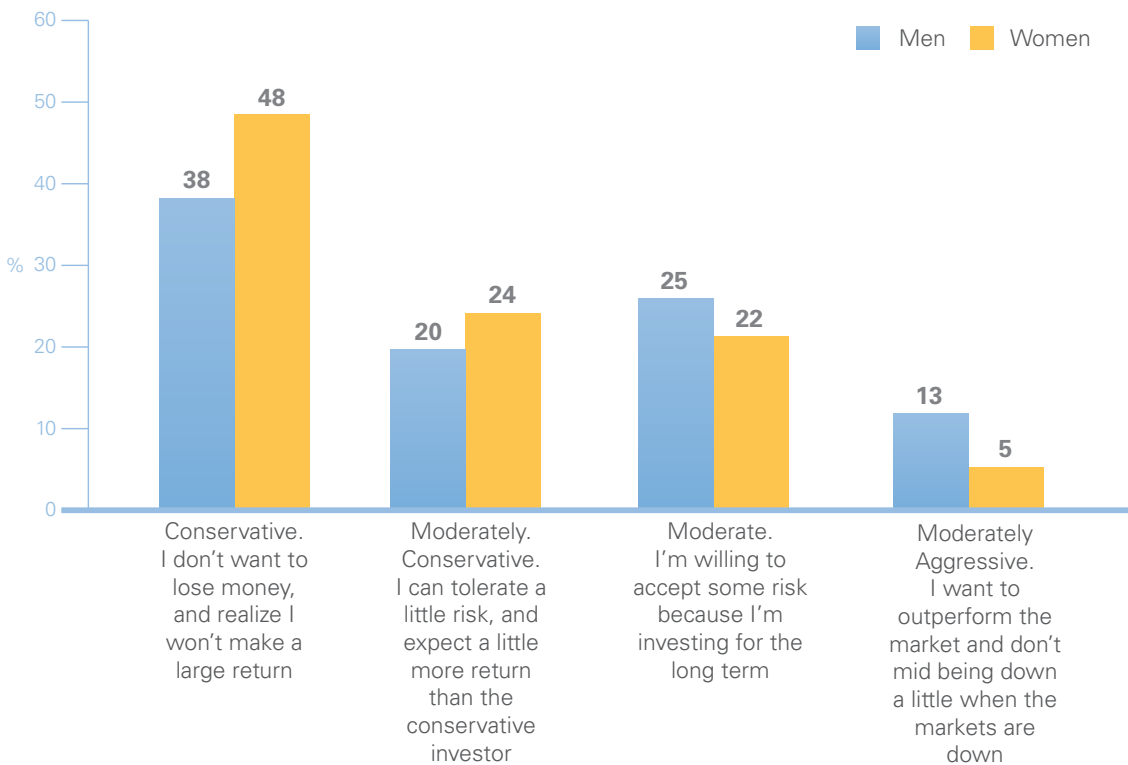
Part 4: Attitudes to risk – the need to change household risk appetites

As figure 6 shows, women are significantly more likely than men to describe their attitude to risk as 'conservative', and this is reflected in their reluctance to hold more sophisticated savings and investment products. For example, 32% of men compared to 23% of women are likely to invest in a mutual fund to build

their retirement savings. However, compared to global averages, both men and women in the US show a marked preference for conservatism and risk aversion in their savings attitudes, and encouraging households to accept more risk in order to secure their financial futures presents a major challenge.

Figure 6: Women are more likely to sacrifice returns to protect investments

Q. When it comes to investing, which of the following best describes your risk tolerance?



Base: All respondents

While the risk of investing for the long-term might be a major concern to some American households, and particularly to women, it is equally clear (see Table 2) that larger numbers of people are concerned about the risk of doing nothing when planning for retirement. Our findings show that a greater number of American respondents see the risk of doing nothing as extremely risky compared to the risk of investing for

the long-term: 17% of American respondents thought that investing in stocks and shares was extremely risky while 27% thought that not having a retirement fund was extremely risky. The fact that people in the US already understand the danger of not planning sufficiently for retirement should help efforts to encourage more people to prepare adequately.

Table 2: The risk of not planning household finances

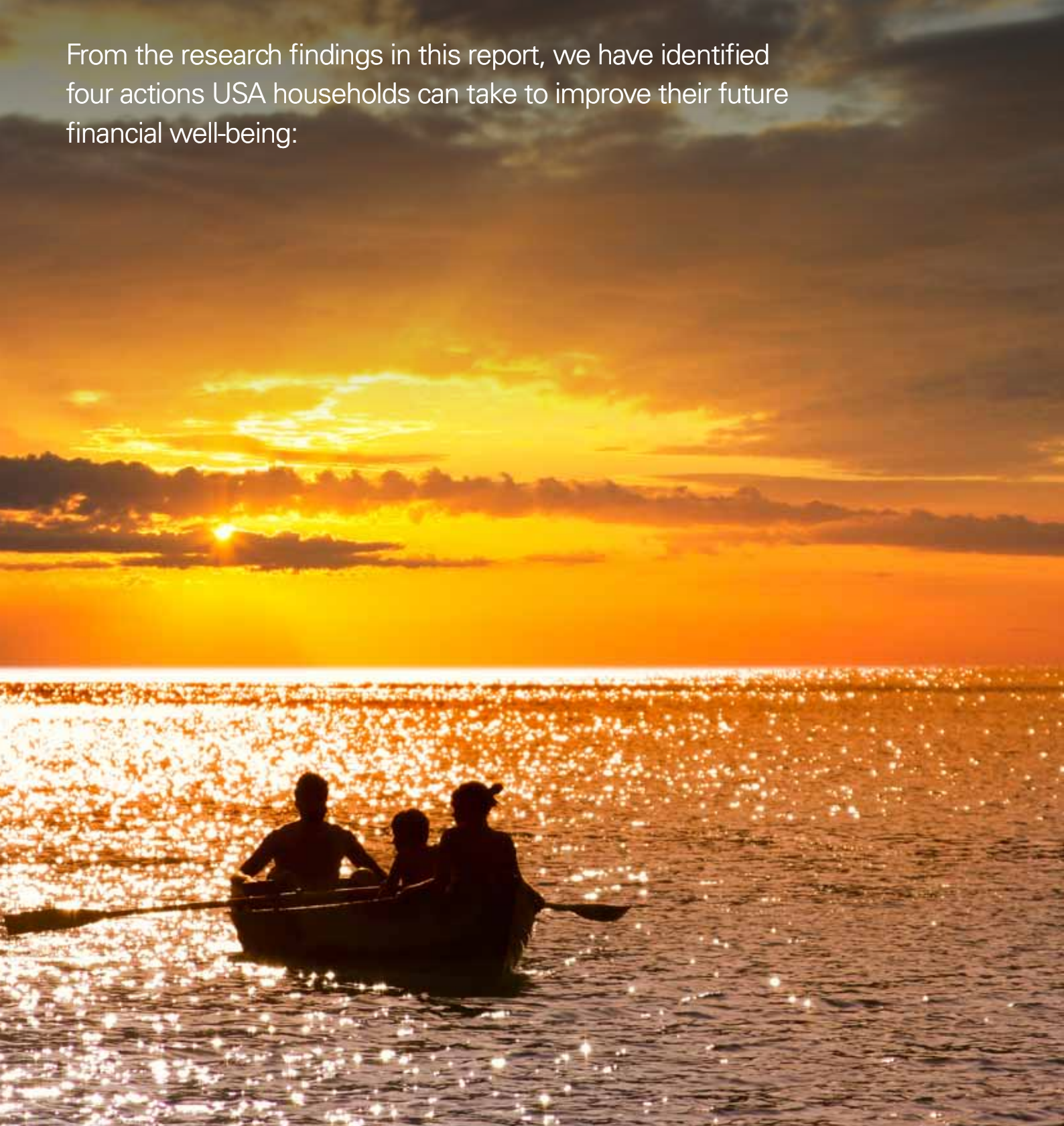
Q. How risky do you rate the following activities?

	Male (%)	Female (%)	All (%)
Investing in stocks and shares	14	18	17
Not having life insurance	20	32	28
Not having a private retirement fund	20	31	27
Going on holiday without travel insurance	8	13	12

Base: Respondents who answered 'Extremely risky'

What families can do to better prepare for the future

From the research findings in this report, we have identified four actions USA households can take to improve their future financial well-being:



Action 1

Share your financial decision-making

Make sure that financial planning decisions which affect the household – in particular retirement and protection needs – are shared and discussed with your partner, to make sure you are both better prepared for retirement and other life goals.

Women across all age groups continue to lag behind their male peers when it comes to taking charge of their own retirement savings.

Action 2

Use life events to start and review your financial plan

Understand the importance of the life events and life stages, then use these events as prompts to take action (for example, having children, saving for college fees, dealing with bereavement, divorce etc). It is important to consider the whole family when planning for your own financial needs.

Large numbers of younger families do not have life insurance in place, while many still overlook the need to build retirement savings or undertake estate planning to ensure that their wealth is protected and managed as tax-efficiently as possible.

Action 3

Review your financial plan with a professional adviser

Sense-check financial decisions and plans with an expert, to make sure that all eventualities are covered. Many household financial plans contain gaps and omissions: get a professional review of your family's financial plan.

Many people still prefer to apply a do-it-yourself approach to financial planning, with 63% not having sought professional financial advice.

Action 4

Take a balanced approach to managing investment risk

Balance the need to protect your investments in the short- and medium-term with the need to generate an adequate retirement income in the long-term.

48% of American women describe themselves as being conservative, which may possibly lead to lower incomes in retirement if they fail to strike the right balance when choosing whether to save or invest.



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